



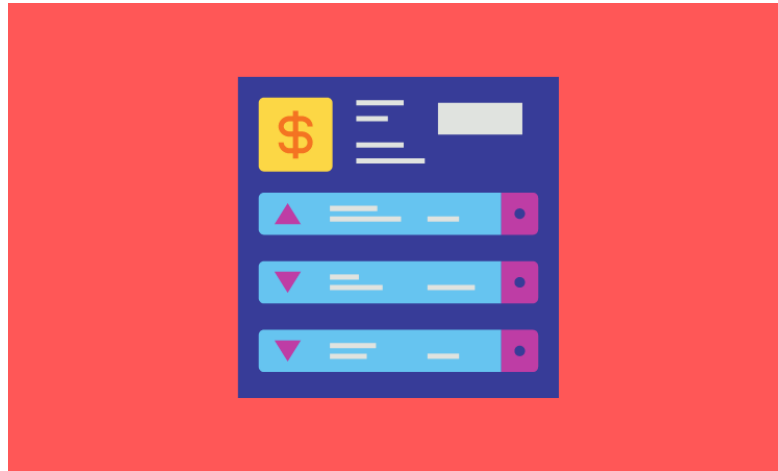
MEMBER EXCLUSIVE, PAYMENTS

Emphasizing high APY, Amex debuts checking account for SMBs

Kabbage Checking offers one of the highest APYs available to SMBs with 1.1 percent interest on balances up to \$100,000.

SMBs can also access a line of credit between \$1,000 and \$150,000.

SHEHZIL ZAHID | JULY 07, 2021



The race to serve small businesses is heating up. American Express unveiled its new checking account, Kabbage Checking. The checking account was launched with technology developed by online small business lender Kabbage, which Amex acquired in August last year.

Amex debuted the checking account in June. The product is a no-fee digital account for small and medium sized businesses. It comes with mobile check deposits, a debit card, bill pay and savings features. Customers can also carry out cash transactions at a network of ATMs and retailers. The account also offers 1.1 percent interest on balances up to \$100,000.

The account also offers lines of credit between \$1,000 and \$150,000. Moreover, loans are underwritten in minutes with APIs that analyze a small business's real-time business data.

Kathryn Petralia, co-founder of Kabbage, says that the company had begun development on Kabbage Checking before it was acquired by Amex. When researching similar business checking accounts among traditional banks, Petralia says that Kabbage found the average annual percentage yield was between 0.00 percent to 0.01 percent. As such, Kabbage Checking offers one of the highest APYs in the industry.

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Once American Express acquired Kabbage, the Kabbage team went to work integrating their technology into Amex's systems. For example, American Express customers can now signup and apply for Kabbage products using their existing Amex credentials.

Although Amex is a bank holding company, the checking account is backed by Green Dot. Petralia says Kabbage and Green Dot had an existing partnership that predated Amex's acquisition of Kabbage. Amex decided to go ahead with the checking account as is because it wanted to get the product to the market quickly.

Petralia says that the 'smallest of small businesses' are overlooked and underserved by traditional banks, even though SMBs account for 99 percent of all companies. They also make up half of all new jobs in the U.S. and half of the nation's non-farm GDP.

"Small businesses are critical to our local communities and national economy," says Petralia. "It's important they have access to the financial tools they need to grow."

With Kabbage Checking, Amex may be looking to capitalize on a post-pandemic opportunity. SMBs have been one of the hardest hit sectors of the economy since the pandemic, but some small businesses have bounced back better than even consumers and corporations. Bloomberg reported that in April 2021, SMB spending on Amex cards increased by six percent from April 2019, competing with pre-pandemic levels. Billings also increased by 18 percent across all industries except travel and entertainment.

Kabbage Checking also pulls Amex into an increasingly crowded space. Fintechs like Intuit have begun to offer checking accounts for SMBs in recent years. For comparison, Intuit's QuickBooks Cash bank account offers 1 percent

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checking accounts for SMBs in recent years. For comparison, many QuickBooks cash bank accounts offer a 4 percent APY interest. While Square hasn't formally announced the launch of a checking account for SMBs, Bloomberg found 'language in hidden code' in Square's app on Apple's iPad and iPhone that suggests that Square is working on launching a checking and savings account for SMBs. Based on the language, Square would offer 0.5 percent interest for its savings account.

But Amex is not ready to back down from a challenge. Gina Taylor, senior vice president and general manager of strategy and integration at Kabbage, says that Amex has been expanding its SMB business beyond its card to become a digital 'one-stop shop' for the past several years. This includes American Express One AP, its automated accounts payable solution; Early Pay, for supply-chain financing; American Express Go, for virtual payments; and FX International Payments, to simplify cross-border payments.

"We recognized the need to offer customers more cash-flow products that fit into their day-to-day management to deepen our relationships and solve more of their business needs," says Taylor. "The launch of Kabbage Checking accelerates this strategy."

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